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INFORMATION REPORT  
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25X1SUBJECT Churin and Company, Pyongyang

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## 1. Personnel of Churin and Company, Soviet department store in Pyongyang,\* included:

Director: Pavel Sergeyevich Kostin, age 47.  
 Secretary: Vera Mikhailovna Morozova, age 38, Russian emigre from Harbin.  
 Chief bookkeeper: Alexander Ivanovich Baranov, age 51.  
 Sales department manager: Vladimir Feodorovich Levi, age 46, Russian emigre from Harbin.  
 Clerk: Viktor Valerianovich Petelchits, age 33, Russian emigre from Harbin.  
 About thirty other employees, Russian emigres from Manchuria.\*\*

2. Churin and Company officially is still an independent commercial enterprise, as it was before 1945, but actually it is entirely a Soviet government organization. It is owned by Dalintorg (51 percent), Eksporthkhleb (20 percent), Dalvneshttrans (19 percent), and Vneshkniga (10 percent), all Soviet organizations. The firm's profits and dividends are distributed accordingly. By this means, the shareholders have a revolving fund which provides them increased purchasing power for goods to be shipped to the USSR. Vneshkniga, however, uses its dividends for propaganda purposes. Items purchased in Korea for the USSR include grain, steel, gold, non-ferrous metals, sulphuric acid, hydrochloric acid, ammonium, and other chemicals, carbide, and cement (primarily for use in Dairen and Port Arthur).

3. Although the won currency of North Korea was printed in the USSR and the Soviet government could print it for its own use, in order to avoid charges of inflating the North Korean economy by flooding the money market, USSR purchases in Korea were camouflaged in the following manner when imported: All merchandise brought to North Korea through Churin and Company was priced wholesale at 300 to 500 percent above the USSR cost, and to this wholesale price the Soviet 20 percent "legal" profit was added to make the retail price. North Korean import duties were evaded under the pretext that most of the imports were for the use of the Soviet colony, yet the 20 percent advance was always made in the retail price. Imported newsprint, as an extreme example, priced at 20,000 North Korean won\*\*\* per ton, was raised to 160,000 won and had a legal profit of 32,000 won added, to make a retail price of 192,000 won.

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## CLASSIFICATION

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4. In order to implement the hidden price increase, a secret "legal deed" was executed, upon the arrival of each shipment of merchandise, by four Churin top-level employees and was forwarded to Dalintorg, thus putting the real profits on record. Dalintorg in turn reported to Moscow. Meanwhile, the shipment was entered normally on the firm's open books at its inflated wholesale value, and the 20 percent mark up was added before the goods were sold.
5. Through these practices, Churin and Company made extensive profits. When it was organized in Pyongyang, in the fall of 1947, its entire investment, including merchandise, buildings, etc., was valued at 46,000 won.\*\*\* In late September 1950, the net worth of the firm was estimated at 400,000,000 won.
6. The firm was further assisted in profits by the fact that almost all the merchandise imported into North Korea from the USSR was either defective or obsolete. In 1948, for example, Churin received several carloads of silk stockings, nearly all of which were rotten, and in 1949 several carloads of rubber sponges and prophylactic syringes. Although these were hardly demand items on the Korean market, the North Korean government was compelled to accept them at the Soviet-dictated price. Machinery, especially tractors and lathes and similar equipment, which was urgently needed in North Korea, was shipped from the USSR, but most of it was poor, secondhand, or junk. Of the large quantities of barreled wine imported, about one fifth was dregs.
7. Koreans often complained about Churin merchandise, arguing that it was cheaper and more satisfactory to make purchases through Hong Kong, where goods could be inspected before acceptance and where no favoritism was shown. They also felt that anything sent by the USSR was delivered to Korea with the air of conferring a favor, and this attitude was greatly resented, as well as the high prices.
8. Churin and Company had one branch at Chongjin. Personnel there are unidentified.

25X1A ☐ Comment. Churin and Company, as well as all the other overt Soviet agencies, left Pyongyang before the UN advance.

25X1A\*\* ☐ Comment. How many of the Churin personnel held Soviet citizenship, and how many really retained emigre status was not indicated.

25X1A\*\* ☐ Comment. It is impossible to give exact equivalents in solid currency because of the indefiniteness of figures and dates and the varying rates of exchange.

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